

TOWN OF LYMAN
Skagit County, Washington
January 1, 1991 Through December 31, 1992

Schedule Of Findings

1. Town Officials Should Prepare And Submit Timely, Complete, And Accurate Annual Reports

Town officials did not prepare complete annual financial reports for 1992. The following required reports were not prepared:

Statement C-4:	Fund Resources And Uses Arising From Cash Transactions (Detailed)
Statement C-5:	Fund Resources And Uses Arising From Cash Transactions (Summarized)
Schedule 07:	Schedule Of Warrant Activity
Schedule 08:	Schedule Of Real And Personal Property Taxes
Schedule 11:	Operation Of Cash
Schedule 12:	Operation Of Investments
Schedule 16:	Schedule Of State Financial Assistance

Notes To The Financial Statements

The same statements and schedules were prepared for 1991, but were inaccurate and subsequently revised. In addition, reports for both years were not submitted to the State Auditor's Office within the required time frame of May 30th. The 1992 report was not received until August 1993, and the 1991 report was not received until June 1992.

RCW 43.09.240 states in part:

. . . Every public officer and employee shall keep all accounts of his office in the form prescribed and make all reports required by the state auditor. (Emphasis ours.)

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor . . . Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of the fiscal year.

(Emphasis ours.)

The failure to prepare and submit timely, complete, and accurate reports is attributed to multiple changes in personnel.

Late, incomplete, and inaccurate reports cause users of the report to be denied access to the town's financial information. Users and their concerns include:

- a. The Washington State Legislature, which receives a copy of the annual volume of comparative statistics for all municipalities, published pursuant to RCW 43.09.230.
- b. The general public, which is interested in reports on the cost of public services.
- c. The State Auditor's staff, which finds that the absence of and the inaccuracy of financial reports causes delays in audit work, and accordingly, audit time and cost are significantly increased.
- d. Town council members, whose use of the report as a management tool is diminished when the report is not issued timely.

We recommend the town officials ensure the timely, complete, and accurate preparation and filing of annual reports.

2. Fund Cash Accounts Should Not Be Overdrawn

Our audit disclosed a deficit (negative) cash balance of \$3,903 in the Street Fund at the end of 1992.

RCW 43.09.210 states in part:

. . . no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

The negative cash balance was caused by improper receipt of Current Fund revenues into the Street Fund, which in turn made it appear that the Street Fund was solvent. Additional expenditures were made on the premise that the Street Fund was solvent.

Since a deficit cash balance actually represents an unauthorized interfund loan, the insolvent fund is benefiting from the financial resources of other solvent funds of the town.

We recommend that the town eliminate the deficit cash balance and monitor fund activities to ensure that deficit cash balances do not occur.

3. Payment Of Claims Shall Be Made In Accordance With Regulation

Vouchers were not prepared for claims and payroll for most of 1992 and all of 1993. In addition, claims were not certified by the auditing officer, and council approval was not documented for either claims or payroll.

RCW 42.24.080 states in part:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the division of municipal corporations in the state auditor's office.

Furthermore, the *Budgeting, Accounting and Reporting System* (BARS) manual, Volume I, Part 3, Chapter 3, page 25 states in part:

. . . all claims must be certified by the auditing officer. This certification may be made on each individual claim voucher or, subject to the acceptance and approval of the municipal legislative body, a blanket voucher certification may be used as long as it indicates the particular vouchers so certified . . . The certification must be signed and dated by the auditing officer or his delegate . . . The certification by the auditing officer in no manner relieves members of the governing body from the responsibility and liability for each voucher approved.

The BARS manual also documents the procedures to be performed to indicate the governing body's approval for payment of claims vouchers and payroll and stipulates that approval should be entered into the minutes.

The town did not follow prescribed accounting procedures because of changes in personnel and the lack of training thereof.

Without an adequate system of accounting in place, the possibility of errors and irregularities occurring and not being detected timely, if at all, greatly increases.

We recommend that the town follow procedures for expenditures and disbursements as prescribed by the State Auditor's Office as documented in the BARS manual.

4. Payroll Expenditure Allocations Should Be Based On Actual Time Records

The town allocates payroll costs between the town's funds without any support for the allocation. Payroll costs charged to each fund should correspond to the time employees spent performing job tasks for that fund. However, the town is not using time records or any other apparent documentation to determine time spent by city employees on the fund related jobs.

RCW 43.09.210 reads in part:

. . . All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value by the department . . . receiving the same . . . and no department . . . shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

RCW 43.09.200 states in part:

The accounts shall show . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and proved the validity of every transaction

Management was not aware that records to support payroll allocations must be prepared and retained.

Without proper documentation there is no reliable basis for allocation of payroll expenditures. Also, the risk that one fund is benefiting at the expense of another is increased.

We recommend that employees who perform services for the benefit of more than one fund should document their efforts to provide a basis for the allocation of payroll expenditures.

5. The Town Should Improve Controls Over Water Billings And Receipts

We were unable to perform a reconciliation between Water Fund deposits and utility receipts for either fiscal year due to the following:

- a. Utility customer listings are in disarray for fiscal year 1991 and are not complete in 1992.
- b. Utility stubs (receipts) are not dated, and 1991 and 1992 receipts appear to be commingled.
- c. The town does not prepare and date tapes to determine which receipts comprise the deposit.

RCW 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The BARS manual, Volume I, Part 3, Chapter 1, page 15 reads in part:

Internal control systems are to reasonably ensure that the following objectives are achieved . . . Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

Town personnel were apparently unaware of proper procedures to account for utility transactions.

Without such accounting controls in place, the accurate and timely detection of losses and errors cannot be assured.

We recommend that the town implement policies and procedures to improve the accounting controls over utility billings and receipts.